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SENSITIVE  
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STATE/H PASS HCFA FOR KESSLER  
STATE ALSO FOR EUR/WE  
POSTS' KESSLER CONTROL OFFICERS PLASE PASS TO DELEGATION

E.O. 12958: N/A  
TAGS: [ETTC](#) [KTFN](#) [KNNC](#) [PREL](#) [SP](#) [IR](#)  
SUBJECT: SCENESETTER FOR STAFFDEL KESSLER'S VISIT TO SPAIN

REF: A. 09 STATE 131483  
[1](#)B. 09 STATE 130513

SENSITIVE BUT UNCLASSIFIED - PLEASE PROTECT ACCORDINGLY

#### Summary

[1](#)1. (SBU) Embassy Madrid welcomes your visit, which comes at an auspicious moment as Spain assumes the European Council Presidency for a six-month period. U.S.-Spain relations are strong and based on shared global interests, including our association in NATO, the fight against terrorism, and growing economic ties. Spaniards are enthusiastic about President Obama, and the GOS is optimistic about the prospect for closer bilateral relations and enhanced engagement. Spain enforces existing Iran sanctions and would likely be willing to implement additional measures if they were consensus actions after other options had been exhausted; however, there is division within the government on whether stronger sanctions would be constructive.

#### Bilateral Relations

[1](#)2. (U) We value Spanish cooperation on security issues and in the fights against terrorism and narcotics. Spain is a strong bilateral defense partner, despite differences in the past over its sudden withdrawal from Iraq in 2004 and its poorly coordinated withdrawal in 2009 from the NATO force in Kosovo. Spain operates a Provincial Reconstruction Team in Afghanistan with about 1,000 troops participating in ISAF, and President Zapatero has announced his intention to support President Obama's call for more NATO ally participation by sending more Spanish troops. Specifically, Spain has proposed to increase its contribution by 50 percent in 2010. Spain also allows us the use of two military bases that are crucial transit points between the U.S. and Afghanistan and Iraq. Counter-terrorism and law enforcement cooperation is strong, as are business ties.

#### Political Context

[1](#)3. (U) President Zapatero won re-election to a second term in [1](#)2008. His center-left Spanish Socialist Workers Party (PSOE) is seven seats shy of a Congressional majority and fared poorly in regional and European Parliament elections in 2009. Zapatero's popularity has suffered because of the long recession and what are viewed as the government's ineffective efforts to address it. The conservative opposition Popular Party (PP) has not capitalized on Zapatero's unpopularity, as

it has suffered internal divisions and has been dogged by corruption accusations. That said, recent polls suggest that the PP could win an election over the Socialists if the vote were held today. Zapatero has sought to show that he is taking a leading international role in the response to the economic crisis, and the EU Presidency gives the GOS an opportunity to play up its international role.

#### Economic Context

¶4. (U) Spain grew much faster than the EU average over the 15 years through 2007 and now has the world's 9th largest economy. The rapid growth was driven by a housing boom that ended in 2007, after which the world economic crisis aggravated the economy's woes. Spain has been in recession for almost two years. The economy is expected to continue contracting until later in 2010, which would make it the last large economy to begin to recover. Unemployment, now over 19%, is expected to pass 20% this year. The GOS has responded with a major fiscal stimulus. This has boosted the budget deficit to around 10% of GDP, and the GOS will have to curb spending in the next few years to get back within eurozone-mandated parameters by 2013. Zapatero's government is working to reorient Spain's economy towards more sustainable sectors, with renewable energy a key priority. Spain, the 10th largest foreign investor in the U.S., is especially active in renewables, banking, road construction, food, and others. The U.S. is also a major investor in Spain.

#### EU Presidency

¶5. (SBU) The GOS has named a wide range of issues as priorities for its presidency. Its most frequently mentioned priorities are coordinating economic recovery and reform measures, coordinating implementation of the Lisbon Treaty (including adjusting to the new roles of President Van Rompuy and High Representative Ashton), and promoting gender equality. President Zapatero and other GOS officials often cite strengthening transatlantic relations as another top priority. Foreign Ministry officials have acknowledged that during Spain's presidency, the EU will face important decisions on Iran sanctions.

#### Iran Sanctions

¶6. (SBU) While the GOS agrees with the objective of preventing Iran from building a nuclear weapon, it generally prefers to focus on the carrot and engagement side of the relationship with Iran. GOS officials state that they fully implement existing sanctions, but they also stress the importance of exhausting other options before imposing more restrictive sanctions and have expressed some skepticism about the efficacy of additional pressure on the Iranian government. At times other EU countries' officials identify Spain as one of the member states resisting increasing sanctions. Nonetheless, Spain implements UN Security Council Resolutions fully, and if additional sanctions are approved by the UN and/or the EU, Spain will implement them. Spanish officials have told us in the past, however, that they do not favor restrictions on investment in the oil and gas sector. In 2008, Repsol and the Dutch firm Shell, after U.S. pressure, decided not to pursue a joint venture to develop an Iranian gas field. That project remains very much on hold. Repsol is fully aware of the Iran Sanctions Act, pending legislation, and the strongly held U.S. view that now is not the time to do anything that would suggest business as usual with Iran. However, the company maintains frequent contact with the Iranian government and retains a long-term interest in developing the country's resources.

¶7. (SBU) The Embassy and visiting U.S. officials have urged Spanish banks to be very careful about business with Iran. We believe Spanish banks are, in fact, monitoring their activities carefully, and that the Bank of Spain is providing

vigilant oversight. The Ministry of Industry, Tourism, and Trade (MITYC) heads an inter-ministerial committee that carefully looks into possible dual-use exports to Iran.

#### Non-Proliferation

18. (SBU) Spain was a founding member of the Proliferation Security Initiative (PSI), is on the IAEA Board of Governors during 2008-2010, and will hold the EU Presidency during the first half of 2010, during which time President Obama's Nuclear Security Summit and the 2010 NPT RevCon will convene.

Spain participates in the Container Security Initiative (CSI - in the ports of Algeciras, Barcelona, and Valencia), and the Megaports Initiative to detect radioactive cargo (in the port of Algeciras, with expansion to Valencia and Barcelona to begin later this year). Spain has also been very active in hosting a number of events related to the Global Initiative to Combat Nuclear Terrorism (GICNT).

#### Personal Security

19. (U) In general, Spain is safe. However, Madrid and other large cities attract a large number of criminals and pickpockets, and frequent crimes of opportunity against the unwary do occur. It is best to carry only essential items, including a photocopy of your passport's photo page. Visitors can protect themselves against crime by being street-smart, alert, and aware of their surroundings. Travelers are encouraged to review the most recent Worldwide Caution issues by the Department of State. As the Department of State continues to develop information on any potential security threats to Americans overseas, it shares credible threat information through its Consular Information Program, available on the Internet at <http://travel.state.gov>. Additional information regarding safety and security in Spain is available on the U.S. Department of State's website ([www.embusa.es](http://www.embusa.es)).

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